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BEFORE THE

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM 1959

No. 181

GEORGE L. ATHERHOLT, JR.,
Petitioner,

vs.

A. & C. ENGINEERING COMPANY,
A Michigan Corporation,
Respondent.

PETITION FOR WRIT OF CERTIORARI TO THE MICHIGAN SUPREME COURT

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TO: The Honorable, the Chief Justice and the Associate Justices of the Supreme Court of the United States:

Petitioner, George L. Atherholt, Jr., defendant and appellant below, respectfully prays that a writ of certiorari issue to review the judgment of the Supreme Court of the State of Michigan affirming the decree of Circuit Court for the County of Genesee, State of Michigan, requiring petitioner to assign his interest in patents and applications for patents.

OPINION BELOW

Judgment of the Supreme Court of the State of Michigan contained in its opinion filed April 13, 1959, affirming the decree of the Circuit Court for the County of Genesee, State of Michigan is appended.

JURISDICTION

The jurisdiction of this Court is invoked under Title 28 *U. S. C.*, Section 2101 (c).

The judgment of the Supreme Court of the State of Michigan was filed April 13, 1959, and has not been complied with pending this application for a writ of certiorari.

QUESTIONS PRESENTED

I.

Does a state court have jurisdiction to determine ownership of a patent where one of two joint patentees in sworn bill of complaint alleges that only one of two joint patentees was in fact the inventor?

II.

Does a state court have jurisdiction to determine ownership of a patent where plaintiff corporation's bill of complaint against a joint patentee is sworn to by the other joint patentee who is also plaintiff corporation's secretary and, where the corporation secretary's allegation that he was "sole inventor" is amended upon conclusion of plaintiff's proofs to delete words "sole inventor" so as to read he "conceived the basic principle" of the tool which was patented?

STATUTES INVOLVED

The fundamental law of the United States of America applicable to patents is contained in article one, section seven, clause eight of the federal constitution:

> "The Congress shall have power * * * to promote the progress of science and useful arts, securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries;"

Under the authority of this constitutional provision, the federal congress has enacted law contained in the United States Code under Title 35, establishing the Pat-

ent Office and providing among other things for its determination of the patentability of inventions (§102) and the granting of letters patent (§101) and also for appeals from its decisions to federal courts (§145). Part three of Title 35 covers patents and the protection of patent rights. Chapter 26 of part three deals with ownership and assignments. Provision is made for amendment and correction of patent applications (§255) for misjoinder of inventors (§256) and for a presumption of the patent's validity (§282).

Section 111 of Title 35 of the United States Code provides that applications for patents shall be made by the inventor. Section 115 provides for an oath to be taken upon making the application and Section 116 provides for the taking of the oaths by joint inventors. As set forth above Sections 255 and 256 provide for correcting errors made in applications. (See appendix).

In addition, Title 28, Section 1338 (a) was enacted June 25, 1948, continuing with no material change the law prior to that time. It read at all times complained of in the instant case as follows:

> "The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents, copyrights and trademarks. Such jurisdiction shall be exclusive of the courts of the states in patent and copyright cases."

STATEMENT

This case concerns a bill in equity filed by respondent corporation on August 13, 1956 to procure a decree requiring petitioner, George L. Atherholt, Jr., to assign his rights in patents and patent applications and in a trade name to the respondent. Issue was joined by an answer filed September 13, 1956 denying right to relief requested as to the patents and admitting the trade name belonged to respondent.

The gravamen of respondent's claim for relief was contained in paragraph III of its bill of complaint which read as follows:

"That in the year 1952, and prior thereto, George L. Atherholt, Sr. became the inventor of a certain tool known as the hydrostatic holding device, for which a patent application was made to the U. S. Patent Office, said application being signed by George L. Atherholt, Sr. and George L. Atherholt, Jr. That said invention was made, their patent application filed and the aforesaid partnership was in existence then and both parties were in the employ of the partnership. That subsequently, a patent was issued under date of May 6, 1956, No. 2,744,756. That all the development work was performed and paid for by the partnership and all expenses in applying for and obtaining the patent were paid for by the partnership."

At the opening of the trial before the Circuit Court for the County of Genesee a motion was made to dismiss the bill of complaint for want of state jurisdiction and is recorded on page 4 of the trial transcript as follows:

"MR. DEAN: Your Honor, I wish to call attention to the statement in the pleadings, in paragraph III, in which the sworn bill of complaint, the officers of the A & C Engineering Company, including George L. Atherholt, Sr., allege that George L. Atherholt, Sr., became an inventor of a certain tool which was patented in the names of George L. Atherholt, Sr., and his son, George L. Atherholt, Jr. It is our claim as to any claim for relief in this bill of complaint relative to a patent that they are alleging facts which would set up an invalid patent, or make it void, and that the Federal Courts have exclusive jurisdiction over this matter, and that it would not be a proper subject matter of a suit in this Court, and therefore as to that portion of the relief prayed for, I move it be dismissed.

THE COURT: Well, in reviewing the pleadings, I see by paragraph III, the answer, the issue is joined upon that point, and therefore the motion will be denied."

At the conclusion of respondent's proofs, its bill was amended at page 221 of the trial transcript (page 183a of the joint appendix filed on appeal to the Michigan Supreme Court) as follows:

"MR. CLINE (Respondent's Counsel below):

* * *

And if the Court, please, we would further like to amend Paragraph III of the Plaintiff's bill of complaint to read: 'That in the year 1952 and prior thereto, George L. Atherholt, Sr., conceived the basic principle of a certain tool known as a "hydrostatic holding device" for which the patent application was made to the U. S. Patent Office,' and the rest of the paragraph remain as contained in the bill of complaint.

MR. DEAN (Petitioner's Counsel below):

* * *

We do object to the proposed amendment to Paragraph III for the reason that the jurisdiction to determine the validity of the patent is peculiarly reserved to the Federal Courts, and I believe, within the administration of a Patent Office it is possible to apply for an amendment if the patent application had been improperly applied for and a patent had been issued to people who are not the inventors that you can do that within the Patent Office, or you could file a suit in Federal Court to enjoin the right to use the invention on the grounds one person was the sole inventor, but I do not believe that issue could be determined in this State Court.

THE COURT: The amendments may be made."

The trial proceeded and testimony was taken relative to the question of fact as to who was the actual inventor.

At the conclusion of the proofs, the Court entered its decree requiring petitioner to assign his interest in the patents and applications to respondent and in its opinion said:

"Defendant's assertion that this Court has no jurisdiction over the subject matter of this suit is without merit. Actions to determine ownership rights, and

particularly the assignment of patent rights, are governed by equitable principles. The rights in issue here call for the recognition and application of general equitable principles and do not arise under the statutes granting patent rights."

The Supreme Court of the State of Michigan upheld the trial court in its decision on jurisdiction and affirmed the decree in its opinion set forth in the appendix.

The federal question as to jurisdiction has been preserved.

REASONS FOR GRANTING WRIT

I.

We are dealing here with a specific and express reservation by Federal Statute to the Federal Courts of certain subject matters. For the questions here the key words of the statute are "arising under".

Upon examination of paragraph III of plaintiff's bill of complaint we find that the patent which is the principal subject matter of this suit and which was issued to two joint inventors by the Patent Office is claimed to be the invention of a single individual, George L. Atherholt, Sr. who was an officer of the corporation plaintiff, and signed the complaint under oath. It is petitioner's position that this allegation relied upon by plaintiff for relief makes this case one arising under the patent laws.

The precise questions raised are of substance and have not been determined by this Court. The implications of the Michigan State Court's assumption of jurisdiction are serious not only to this litigant but to all patent holders and the economic life of our country.

In *James Ferry Company, Inc. vs. Atlantic Const. Co.*, 60 F. 2d 564, a person signing an application for a patent as being the joint invention of himself and another tried to invalidate the patent on the ground that it was not a joint invention. The Federal District Judge wrote as follows:

"Defendants attack the validity of the patent on the ground that it is not a joint invention of the patentees. The patent is prima facie valid. The de-

fendant Miller signed the application, and swore to the facts set forth therein before a notary public, on December 18, 1925, and should not, at this time, be permitted to invalidate the patent on this ground, unless the showing of fact is overwhelmingly convincing. The evidence does not satisfy me that Miller's contentions are in any way sustained. As a matter of fact, I am satisfied from the evidence that the invention was the result of the joint efforts of the parties. The contribution of Ferry may not have been as great as that of Miller, but I am satisfied that the patent was legally issued to both parties."

The attempt to void the patent must, however, be made in federal courts in an interference proceedings initiated before the Board of Interference Examiners, as in the case of *Carter vs. Kellgren*, 166 F. 2d 592, or under the provisions of the Code for correcting and amending the patent.

It was especially harmful to the rights of petitioner to proceed to trial on the present bill. This injury arises from the want of jurisdiction in that under this complaint one of two joint patentees was permitted to give evidence invalidating a United States Patent in an equitable proceedings in a State Court.

In addition the alleged "sole inventor" was in the position of having signed an oath to the patent office to obtain a patent and, after having received a grant of patent jointly with another predicated an equitable action on behalf of a corporation of which he was an officer, to obtain in a state court a forced assignment of the entire patent. His claim now is inconsistent with the claim he made earlier to the Federal Patent Office. As a joint patentee he should be required to assert such allegations in a direct attack upon the patent in the Patent Office and not be permitted to use his self-serving claims to bolster title in still a third party in the forum of a State Court.

Patents are not obtainable as a matter of course. The applicant must present his invention to the Patent Office, satisfy that office that it is indeed an invention, that he has adequately described it, and that he has clearly marked

out the area in which he asserts exclusive rights. If he does not satisfy the Patent Office, the application is denied without being disclosed to the public and everyone is in the same position as before. If the Patent Office is satisfied, the inventor gets his patent. It does not follow that it is a good patent. Under the law it is merely "prima facie" valid and is subject to attack in the Patent Office and Federal Courts on numerous grounds.

A patent, or properly a letter patent, is an open letter addressed to all whom it may concern.

It is the grant by the United States to the inventor of a right in his own invention from which all other persons, so long as the grant runs, are excluded. By statute this right is defined as the right to make, use and vend. Joint inventors have equal rights to make, use and vend.

A patent is given for an invention. It follows that an accurate definition of the invention is essential to the issue of the patent. The invention needs to be sharply separated from all that is the previous art, all that as yet has not been found out, all that is not the invention. The task is like that of defining a real property, yet of far greater difficulty. Any area can be divided into personal desmesnes by the drawing of precise lines. A private holding in a technological field is not so easily marked off. The land was there all the time ready to be divided; the claim is supposed to encompass something which was not there before. The land to which title is taken requires nothing more than to be marked off: the invention needs to be disentangled from the useful art out of which it is sprung. At times land law presents its perplexities; to stake out an exact claim in the public domain of technology is a difficult task requiring specialization.

It is, in fact, an invitation to headache for the law to undertake to separate by precise lines the novelty from everything else which makes up the useful art of which it has just come to be a part. The new comes out of the old; the inovation emerges out of what has been established. An idea may, as the "next step", be inevitable or within the reach of only the extraordinary man. An idea, familiar to one art, may be brought as a stranger to another one. Is it invention to make explicit what is implicit? Is it invention to borrow from one useful art

to enrich another? What if familiar elements are thrown into unfamiliar combinations? What if there are severe limits to the number of permutations and the inventor tries them all until he has hit upon the right one? What if familiar processes are adopted to unknown uses?

There is in technology now and then a leap, a break with what has gone before, which is sharp and great. But for the most part the useful arts move along by steps, often so gradually that not a single step stands out sharply. An art moves with the accumulated forces of all that lies behind it; in our age it moves with accelerated speed.

The United States postulates an inventor, or inventors. The patent is taken out in the name of a particular person or persons. The Patent Office takes the inventor on faith; it does not — unless two persons are laying claim to the same invention — go back of the statements made in the application. An examination of the oath required to be executed for each United States patent application reveals that the applicant must make oath that: "he (or they) verily believes himself (or themselves) to be the original, first and sole (or joint) inventor." Under the United States law, an applicant is the flesh and blood inventor, and patents are not issued (other than by assignment) to corporation, partnerships, or other legal-fiction entities.

The bland claim in paragraph III of respondent's bill of complaint that George L. Atherholt, Sr. had "become the inventor of a certain tool" would, if sustained here, negate the whole reason for existence of the Federal Patent Office. This governmental agency has specialized in wrestling with the problem of what is knowledge and how is the store of human knowledge increased as it relates to the precise questions: Should or should not this patent issue? Is there "invention"? Which of two contenders is the inventor?

Without denigrating the courts of the fifty states, is not the petitioner herein entitled to have these questions decided by the forum created for that very purpose?

Petitioner asserts that the denial of the proper forum has resulted in his being illegally stripped of a valuable property right assured him by the Federal law.

Just as we have a multitude of other departments and commissions which have emerged from the complexities of modern civilization to take care of recurrent special questions and problems about which there are general similarities, so do we have the federal legislation pertaining to misjoinder of inventors and correction of patents.

The legislators can do little however with the difficult tools of arbitrary rules unless the spirit of the courts is to recognize that, at least as to remedies, some rules are necessary. Where should the rule bend? When should the line be drawn?

One general answer seems to be that the appropriateness of the forum must be determinable on demurrer, and so must depend on the character of the initial pleading, as to whether the power of the court is invoked:

The "incidental and collateral rule" permits the state courts to retain jurisdiction when the defense injects a question from those instances where a plaintiff raises a question arising under the patent laws. If the party starting the action raises a question arising under the patent laws, then it is a case arising under the patent laws and only the federal courts have jurisdiction. The same issue can be and is raised by defendants and it is thereupon solemnly determined that the case has already arisen and it wasn't under the patent laws and if the defendant thinks it should be, he is mistaken for the issues he raises are merely "incidental and collateral" to plaintiff's case. (See *Pratt vs. Paris Gas Light & Coke Company*, 168 U. S. 255, 1897).

In the case at bar, plaintiff's initial pleadings set up a cause of action over which no state court has jurisdiction.

Another and better answer for this case is contained in *United States vs. United States Gypsum Co.*, (53 F. Supp. 889, 1943) wherein the federal government attempted to attack the validity of a patent in an anti-trust suit. It was held that the United States acts in its sovereign capacity in issuing patents under constitutional and statutory provisions and may not repudiate patents issued by it, nor ask courts to do so, except for fraud in obtaining patents. The Court said:

"The cases principally relied upon by the Government under this aspect of its argument — *Pratt vs. Paris Gas Light & Coke*, 1897; *Becher vs. Contoure Laboratories, Inc.*, 1929; (cited above) *United States vs. Bradford*, (C.C.E.D. La. 1905, 148 F. 413, affirmed per curiam, 5 Cir., 1906, 152 F. 616, certiorari denied 1907, 206 U. S. 563, 27 S. Ct. 795, 51 L. Ed. 1190) — do not answer these questions. The first two of these three cases correctly hold that, although a court does not having primary authority to deal with a question of patent invalidity, it may nevertheless determine such a question in a case in which it otherwise has power over the subject matter and parties. And all three of the cases correctly decide, stating their holdings in general terms, that a court may incidentally determine a question of fact in a case in which the court has primary jurisdiction of the subject matter and parties even though it might not have authority to make such determination in a direct suit for that purpose. But obviously these cases do not decide the question involved in the instant motion to strike because in none of them was the incidental question raised by the very person whose action was being questioned. In *Pratt vs. Paris Gas Light & Coke Company* the attack was made by the defendant, a private party, and the same is true in *Becher vs. Contoure Laboratories, Inc.* In neither case was the Government seeking to repudiate and asking the court to review the Government's own action in the issuance of the patent."

And earlier in the same opinion (page 895):

"The question is not really one of estoppel, which assumes a right but forbids its exercise. The question is a deeper one — whether the Government, having once issued these patents through the Commissioner of Patents has any authority founded upon statute, case or principle to repudiate its own action in so doing, or whether the courts have power, at the instance of the Government, to review the action

of the Commissioner, in issuing the patents, in the absence of a charge of fraud in the obtaining of the same."

And later (page 899):

"The attack upon the validity of the patent * * * involves a breach, as between the Government and the patentees and those dealing with the patentees, of the Government's grant. In issuing the patents through the Commissioner the Government 'upon due examination * * * adjudged (the claimants) to be justly entitled to a patent under the Law' and thereupon made a solemn grant."

Certainly what the United States Government cannot ask to be done in Federal Court relative to one of its patents, the patentees should not be permitted to ask in state court. The proper machinery is available to both. Let it be used.

II.

It is petitioner's position that the amendment made upon conclusion of plaintiff's case was meaningless in the context of its bill of complaint. Plaintiff's case is not bottomed on a cause arising ex delicto. There is no allegation that the defendant violated a trust or stole an idea. The contrary is true. The person who at the outset of the trial claimed to be the sole inventor, and who now by amendment of the plaintiff corporation's bill is claimed to have "conceived the basic principle" of the tool which was patented, is the same person who in the pleadings executed a joint application for patents, not once but on five occasions over a period of two years.

The amendment is a distinction without a difference, a mere play on words with no utility in analyzing the issues here involved.

What does being a sole inventor imply in distinction to having conceived the basic principle of a device?

It has been held in the past that "A conception of the mind is not an invention until represented in some physical form. (*Clark Thread Co. vs. Willimantic Linen Co.*, 140 U. S. 481, 489)".

It is a question whether the United States Supreme Court in the Clark Thread case meant to imply the inventive act consists of two elements, or acts, one mental, and the other physical. Invention when spoken of colloquially may mean either the act of finding out, or inventing; or it may mean that which is invented. In the Clark Thread case, the court said: "It is evident the invention was not completed until the construction of the machine." This coupled with the statement of the court that "A conception of the mind is not an invention until represented in some physical form" might imply that the court was referring to invention, subjectively, — to the inventive act, and not, objectively, to the result of the inventive act or to that which was invented. It would seem, however, that the decision could only be reconciled with other decisions of the court presently referred to, by considering that the court in the Clark Thread case was referring to invention, objectively, — to that which was invented. If looked at in this sense it might well be that an invention could not be recognized as a patentable invention until it had been reduced to practice, or evidenced in some physical form, but such conclusion is not saying that the inventive act itself might reside solely in mental concept.

That invention is considered to reside in mental concept, and not in mental concept coupled with its representation in some physical form, is shown by the court in 289 U. S. 178 (*The United States of America vs. Dubilier Condenser Corporation*, 1933, 85 ALR 1488):

> "Though the mental concept is embodied or realized in a mechanism or a physical or chemical aggregate, the embodiment is not the invention and is not the subject of a patent."

That invention is a mental concept is further emphasized by the United States Supreme Court in the case of *R. C. A. et al vs. Radio Engineering Laboratories, Inc.*, (293 U. S. 1). This was a suit between rival claimants, DeForest and Armstrong, for certain mechanism employed in the art of radio. DeForest had made the mechanism and tried it out, but Armstrong contended that De-

Forest had not made the invention before he (Armstrong) had made it, on the ground that DeForest did not appreciate what he had done. DeForest denied this, backing up his explanation by saying that he did know. Among other things the court said:

> "These explanations, (meaning the explanations of DeForest) even if not wholly convincing, are not so manifestly inadequate as to lead us to say that the conception of the oscillator as a generator of radio frequencies has been proved in any clear or certain way to have been developed and applied by Armstrong before it was born in DeForest's mind."

Thus the authorities indicate that invention, when looked at subjectively, the inventive act, is wholly mental, residing in mental concept.

The mental concept is that of a new and useful result inclusive of the mode of its physical attainment. The physical attainment is not that of a new and useful result conceived of reduced to practice, but as a mode of physical attainment, it forms a part of, or is included in, the mental concept.

Reduction to practice may assist in evidencing an invention: it may demonstrate the practicability or usefulness of an invention, such as a process, machine, manufacture, or composition of matter. It may in an interference between rival inventors be a prerequisite, especially in points of diligence to the grant of Letters Patent. Reduction to practice, however, though actually performed, forms no part of the inventive act any more than does filing of an application for Letters Patent, which constitutes a "constructive reduction to practice", form a part of the inventive act. (See generally: *A Definition of Invention* by John E. R. Hayes, Lew A. Cummings Co., Manchester, New Hampshire).

It is petitioner's claim that the amendment upon completion of plaintiff's proof affected no change in the pleadings and all of the grounds contained in part one of this statement of reasons why a writ of certiorari should be granted are valid whether the bill of complaint is examined before or after amendment.

Petitioner urges that the issue of the validity of the patent was not raised incidentally, collaterally or "obliquely".

Petitioner asserts that respondent's direct attack upon the validity of the patent ousted the state court of jurisdiction. The state court erred in refusing to dismiss the bill and in its reception of evidence on matters outside its jurisdiction which affected its decision on the merits of other claims of respondent which were justiciable in a state court. If the state court had rejected respondent's attempt to directly attack the validity of the patent, the petitioner may well have prevailed upon the other issues raised by respondent in the state court. As another possible consequence of dismissal, petitioner would have had his day in the proper forum: the United States Patent Office or the Federal District Court.

CONCLUSION.

For the reasons herein stated, it is respectfully submitted that this Court should grant its Writ of Certiorari to review the judgment of the Supreme Court of Michigan in this matter.

Respectfully submitted,

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APPENDIX A

STATE OF MICHIGAN
SUPREME COURT

A & C Engineering Company,
a Michigan Corporation,
Plaintiff and Appellee,
vs. Cal. No. 47,120

George L. Atherholt, Jr.,
Defendant and Appellant.

BEFORE THE ENTIRE BENCH

VOELKER, J.

This case concerns a bill in equity filed by plaintiff-appellee, A & C Engineering Company, on August 13, 1956 praying that it be decreed the sole owner of certain patent rights and patent applications and of the trade name "Hydra-lock" and that the defendant be required to assign to it his interests therein. In answer defendant admitted that the trade name belonged to the plaintiff but denied its right to the remainder of the relief requested.

Prior to 1952 A & C Engineering Company was owned and operated as a joint partnership by George L. Atherholt, Sr., and John A. Coletti. The partnership's business consisted primarily of designing certain fixtures, jigs, gauges, and special machinery for various automobile manufacturing companies. Defendant, George L. Atherholt, Jr., son of the above-named Atherholt, was employed by the partnership in a combination sales, design and managerial capacity. For convenience, we shall occasionally refer to the father and son as Senior and Junior.

In January of 1952 Senior saw a mechanical arbor in operation and thereupon conceived the basic idea for a hydraulically operated arbor. To protect his idea he wrote a letter to himself outlining the idea for the arbor and enclosed it, together with a sketch and a drawing illustrating the arbor, in an envelope which he sent by registered mail to himself. That letter was kept in plaintiff's

file unopened and was ultimately opened in court during the trial. After writing the letter Senior discussed the idea with his son, the defendant, and they, with the help of other employees, began to develop it.

The development of the arbor took several years, and much company money, and in the process a successor partnership was formed which consisted of the original partners and the defendant. Later the 3 men formed the present plaintiff corporation, defendant's interest being limited to 15%, which succeeded to the interests of their partnership. Ultimately the arbor was completed and patented, with Senior and the defendant listed on the applications and the letters patent as joint inventors. Senior, pursuant to an alleged oral agreement between the parties, assigned his interest in the patent to the corporation, but defendant has refused to so assign. This suit was brought to establish the true ownership of the patent and to require the defendant to assign his interest therein. Prior to the instigation of this suit the defendant quit working for the corporation, sold his interest therein to his father, and brought an action against the corporation for back pay.

In the trial court prior to the introduction of evidence defendant moved that this case be dismissed, first for lack of jurisdiction, and second because plaintiff's bill of complaint did not state a cause for action. Both were denied. The case went to full hearing following which the court decreed that the plaintiff corporation was the true owner of the patent and that defendant should assign his interest therein to the corporation. From that decree and the order denying his noted preliminary motions defendant has appealed.

In his first 2 allegations of error defendant-appellant claims that the trial court was without jurisdiction to hear this case because it involves a patent. The extent of a state court's jurisdiction in that field is thoroughly reviewed and explained in Spring & Wire Corp. vs. Falls, 293 Mich. 602, and even more thoroughly discussed in 167 A. L. R. 1114. A prolonged discussion here would serve only to unduly lengthen this opinion. The correct rule (and the one prevailing in Michigan) is set out in that annotation at p. 1118 as follows:

"The key to the correct rule is the distinction between a 'case' arising under the patent laws and a 'question' arising under those laws." Pratt v. Paris Gas Light & Coke Co. (1897), 168 U. S. 255, 42 L. ed. 458, 18 S. Ct. 62.

"Reduced to its lowest terms, the correct rule is that if the plaintiff founds his suit directly on a breach of some right created by the patent laws, he makes a case arising under those laws and only a Federal court has jurisdiction; but if he founds his suit on some right vested in him by the common law, or by general equity jurisprudence, he makes a case arising under state law and only a state court has jurisdiction. In this respect it is to be remembered that there is no Federal common law or equity law. These are the juridical attributes of the localities. Their principles, when administered in a Federal court, are derived from the respective peoples of the states. A case founded on a principle of tort, contract, or equity law is a case arising under state law. And whichever court has jurisdiction by reason of the nature of the cause of action advanced by the plaintiff, that court may decide such issues as arise incidentally to a decision. If a plaintiff sues in a Federal court for infringement, and the defendant sets up rights under a contract, the court may reach its conclusion upon an issue of contract law. If the plaintiff sues in a state court for breach of a contract, the state court may decide an issue raised as to the validity or coverage of a patent, and even submit a question of priority to a jury. If the action be for breach of a contract to sell the plaintiff a valid patent, the state court may decide the validity of the patent. This is the almost universal rule."

There is nothing in the bill of complaint to suggest that the instant case is one based upon a right derived from the federal patent laws. Rather it appears to be a common law equity action to determine ownership of a patent and involves the federal patent laws only obliquely and incidentally. Under the above quoted rule such an action is

treated no differently, in regard to jurisdiction, than an action to determine the ownership of any other kind of personal property. Therefore the trial court properly took jurisdiction of the cause.

Appellant's third and fourth questions on appeal are:

"III.

"Where bill of complaint in suit to establish employer's ownership of patents applied for and obtained by employees alleges patent was developed by employees on company time and at company expense but does not allege that employees were hired, either expressly or impliedly, for their inventive genius or to develop patentable items was defendant entitled to a dismissal upon his motion made prior to trial?

"IV.

"Did the trial court err in holding that plaintiff's bill of complaint stated a cause for action?"

There being no specific all-purpose test under the modern liberal rules of pleading by which the sufficiency of a bill of complaint can be tested, the determination of that question is often a difficult problem. That problem has not been made less difficult in this case by appellee's total failure to brief the subject. The primary function of a bill of complaint is to apprise the court and the defendant of the grounds or basis of the plaintiff's claim. To do this the plaintiff must allege all of the necessary facts upon which he bases his cause of action. Failure to state those facts, or others from which they might reasonably be inferred, is failure to state a cause of action. So tested we examine the relevant portions of the bill of complaint in the instant case:

"II.

"That it is a successor company to the A & C Engineering Company, a co-partnership composed of George L. Atherholt, Sr., John A. Coletti, and George L. Atherholt, Jr., which prior thereto had been a co-partnership consisting of George L. Atherholt, Sr., and John A. Coletti.

"That all of said co-partnership's assets were successively transferred one to the other and to the corporation on organization.

"That George L. Atherholt, Jr., on organization of the corporation, became the owner of fifteen per cent of the common stock thereof. That under date of April 14, 1955, George L. Atherholt, Jr., did sell and assign and transfer unto George L. Atherholt, Sr., all his interest in and to the A & C Engineering Company, a Michigan Corporation, and did prior thereto terminate his employment with the Corporation and is not now employed by it.

"III.

"That in the year 1952, and prior thereto, George L. Atherholt, Sr. became the inventor of a certain tool known as the hydrostatic holding device, for which a patent application was made to the U. S. Patent Office, said application being signed by George L. Atherholt, Sr. and George L. Atherholt, Jr. That said invention was made, their patent application filed and the aforesaid partnership was in existence then and both parties were in the employ of the partnership. That subsequently, a patent was issued under date of May 6, 1956, No. 2,744,756. That all the development work was performed and paid for by the partnership and all expenses in applying for and obtaining the patent were paid for by the partnership.

"IV.

"That this Corporation and the predecessors of the partnership have spent many thousands of dollars in the development of the above mentioned hydrostatic holding device, and said holding device has been in the past and is the principal product of the corporation.

" • • •

"VI.

"That George L. Atherholt, Jr., Defendant herein, refuses to join in the assignment with George L. Atherholt, Sr., in assigning said patent to the Plaintiff on the records of the U. S. Patent office.

"• • •

"XI.

"That early in the year of 1953, George L. Atherholt, Sr., John A. Coletti and George L. Atherholt, Jr. did individually make a written assignment transferring to the A & C Engineering Company the whole right, title and interest in and to said invention as described in the Patent application, which the Defendant was to deliver to the Plaintiff's patent attorney for filing in the U. S. Patent office.

"WHEREFORE Plaintiff prays • • •

"That the Defendant may be required to assign any right, title and interest claimed by the Defendant in and to the patent and patent applications aforesaid to the Plaintiff.

"That the Plaintiff may be decreed to be the sole owner of the aforesaid patents and patent applications and the name Hydra-Lock Co. and that the Defendant may be required to assign the same to the Plaintiff and discontinue the use thereof.

"That the Plaintiff may have such other and further decrees in the above matter as may be equitable."

There is authority in Michigan that in the absence of an express agreement to the contrary inventions belong to the inventor-employee rather than his employer, and that the employer is entitled only to a "shop-right" therein, notwithstanding that the invention was conceived, developed and patented on the employer's time and at its expense. See *Detroit Testing Laboratory vs. Robison*, 221 Mich. 442; *Gear Grinding Mach. Co. vs. Stuber*, 282 Mich. 455; and 16 *A. L. R.* 1181 and supplemental annotations.

The entire thrust of the present bill of complaint is that the invention is and always had been the property of the corporation. The failure specifically to allege an agreement (notwithstanding the necessity of later proving such an agreement) between the parties that the corporation was to be the owner of the invention does not in itself necessarily make the bill insufficient. It is sufficient that such an agreement or understanding can fairly be inferred from the facts pleaded. (See 2 *Callaghan's Michigan*

Pleading and Practice, §23.07). We think no other inference can follow a fair reading of the bill in this case.

We note further that the proofs adequately sustain such an agreement or understanding* and that this Court therefore has the power upon review to treat the bill of complaint as amended so as to include an allegation of such. (See 8 *Callaghan's Michigan Pleading and Practice*, §56.69 and 2 *Callaghan's Michigan Pleading and Practice*, §27.31). Under such conditions we are not moved to reverse this or any other case on such a narrow technical ground.

Appellant's last 2 questions on appeal pertain to the sufficiency of plaintiff's proofs. Although we hear such matters *de novo*, on the record, great weight is given to the chancellor's findings of facts. (See *Krachun vs. Krachun*, 355 Mich. 167). Having carefully studied the record, and particularly the many exhibits therein, we are of the opinion that the plaintiff's proofs are more than adequate to substantiate the findings and decree. Further illustrative discussion of the facts is not necessary.

The decree of the trial court is affirmed with costs to appellee.

That defendant himself so understood the arrangement we think is conclusively shown by a letter he wrote Coletti before he left the company, writing in part as follows: " * * this Expanding Arbor is a very vital part of our business * * * with the proper handling it should prove of value to A & C. * * * I do feel that we are covered with what patents we have applied for, * * * Also, I feel that we should consider using the name of HYDRALOCK TOOL AND ENGINEERING COMPANY. The reason being that the arbor and expanding business is going to be the future business of A & C * * *."

APPENDIX B

Applicable provisions of *U. S. C.*, Title 35.

Section 101: Inventions patentable

> Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

Section 102: Conditions for patentability; novelty and loss of right to patent

> A person shall be entitled to a patent unless —
>
> * * *
>
> (f) he did not himself invent the subject matter sought to be patented, —
>
> * * *

Section 111: Application for patent

> Application for patent shall be made by the inventor, except as otherwise provided in this title, in writing to the Commissioner. Such application shall include: (1) a specification as prescribed by section 112 of this title; (2) a drawing as prescribed by section 113 of this title; and (3) an oath by the applicant as prescribed by section 115 of this title. The application must be signed by the applicant and accompanied by the fee required by law.

Section 112: Specification

> The specification shall contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same, and shall set forth the best mode contemplated by the inventor of carrying out his invention.

The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention.

An element in a claim for a combination may be expressed as a means or step for performing a specified function without the recital of structure, material, or acts in support thereof, and such claim shall be construed to cover the corresponding structure, material, or acts described in the specification and equivalents thereof.

Section 115: Oath of applicant

The applicant shall make oath that he believes himself to be the original and first inventor of the process, machine, manufacture, or composition of matter, or improvement thereof, for which he solicits a patent; —

* * *

Section 116: Joint Inventors

When an invention is made by two or more persons jointly, they shall apply for patent jointly and each sign the application and make the required oath, except as otherwise provided in this title.

If a joint inventor refuses to join in an application for patent or cannot be found or reached after diligent effort, the application may be made by the other inventor on behalf of himself and the omitted inventor. The Commissioner, on proof of the pertinent facts and after such notice to the omitted inventor as he prescribes, may grant a patent to the inventor making the application, subject to the same rights which the omitted inventor would have had if he had been joined. The omitted inventor may subsequently join in the application.

Whenever a person is joined in an application for patent as joint inventor through error, or a joint inventor is not included in an application through error, and such error arose without any deceptive intention on his part, the Commissioner may permit the

application to be amended accordingly, under such terms as he prescribes.

Section 145: Civil action to obtain patent

An applicant dissatisfied with the decision of the Board of Appeals may unless appeal has been taken to the United States Court of Customs and Patent Appeals, have remedy by civil action against the Commissioner in the United States District Court for the District of Columbia if commenced within such time after such decision, not less than sixty days, as the Commissioner appoints. The court may adjudge that such applicant is entitled to receive a patent for his invention, as specified in any of his claims involved in the decision of the Board of Appeals, as the facts in the case may appear and such adjudication shall authorize the Commissioner to issue such patent on compliance with the requirements of law. All the expenses of the proceedings shall be paid by the applicant.

Section 255: Certificate of correction of applicant's mistake

Whenever a mistake of a clerical or typographical nature, or of minor character, which was not the fault of the Patent Office, appears in a patent and a showing has been made that such mistake occurred in good faith, the Commissioner may, upon payment of the required fee, issue a certificate of correction, if the correction does not involve such changes in the patent as would constitute new matter or would require re-examination. Such patent, together with the certificate, shall have the same effect and operation in law on the trial of actions for causes thereafter arising as if the same had been originally issued in such corrected form.

Section 256: Misjoinder of inventor

Whenever a patent is issued on the application of persons as joint inventors and it appears that one

of such persons was not in fact a joint inventor, and that he was included as a joint inventor by error and without any deceptive intention, the Commissioner may, on application of all the parties and assignees, with proof of the facts and such other requirements as may be imposed, issue a certificate deleting the name of the erroneously joined person from the patent.

Whenever a patent is issued and it appears that a person was a joint inventor, but was omitted by error and without deceptive intention on his part, the Commissioner may, on application of all the parties and assignees, with proof of the facts and such other requirements as may be imposed, issue a certificate adding his name to the patent as a joint inventor.

The misjoinder or nonjoinder of joint inventors shall not invalidate a patent, if such error can be corrected as provided in this section. The court before such matter is called in question may order correction of the patent on notice and hearing of all parties concerned and the Commissioner shall issue a certificate accordingly.

Section 282: Presumption of validity; defenses

A patent shall be presumed valid. The burden of establishing invalidity of a patent shall rest on a party asserting it.

* * *

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AUG 5 1959
JAMES R. BROWNING, Clerk

IN THE

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1959

No. 181

GEORGE L. ATHERHOLT, JR.,
Petitioner,
vs.
A & C ENGINEERING COMPANY,
A Michigan Corporation,
Respondent.

BRIEF OPPOSING PETITION FOR WRIT OF CERTIORARI TO THE MICHIGAN SUPREME COURT

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IN THE

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OCTOBER TERM, 1959

No. 181

ON APPLICATION FOR WRIT OF CERTIORARI TO THE MICHIGAN SUPREME COURT OF THE STATE OF MICHIGAN

GEORGE L. ATHERHOLT, JR.,
Petitioner,

vs.

A & C ENGINEERING COMPANY,
A Michigan Corporation,
Respondent.

BRIEF OPPOSING PETITION FOR WRIT OF CERTIORARI

A.

REFERENCE TO OFFICIAL AND UNOFFICIAL REPORTS OF OPINIONS DELIVERED IN COURT BELOW.

In addition to the opinion of the Michigan Supreme Court cited in Petitioner's application on page 16 Appendix a, reference should be made to the following opinion of the Court of first instance: Opinion of the Circuit Judge, page 9a, Volume I, Joint Appendix, submitted to the Michigan Supreme Court, for convenience hereafter appearing at page 4, this Brief.

B.

GROUNDS UPON WHICH JURISDICTION INVOKED.

We do not concede that this cause is properly a matter for jurisdiction of the United States Supreme Court, and we take the position that Petitioner has failed to show "special and important reasons" for granting the writ, revised Rule 19, or that the highest Court of the State has decided a Federal question of substance not heretofore decided by this Court or has decided it in a way probably not in accord with the applicable decisions of this Court.

C.

QUESTIONS PRESENTED FOR REVIEW.

1. Did the Court below decide a Federal question of substance not heretofore determined by this Court or decide it in a way probably not in accord with applicable decisions of this Court?
2. Has Petitioner shown "special and important reasons" for granting the writ?
3. Do the facts adduced at the trial show equitable jurisdiction of the Court below?

D.

STATUTES INVOLVED

We do not concede that the Federal statutes cited, page 2 of the applicant's petition, are involved, the issue in this case being who in equity and good conscience is the owner of the patent?

E.

CONCISE STATEMENT OF THE CASE.

(Unless otherwise clearly indicated, numbers in parentheses refer to the two-volume Appendix printed for use of the Michigan Supreme Court, a copy of which we are advised has been filed with this Court).

We deem the following necessary in correcting inaccuracies and omissions in the statement of petitioner, since it relates only to a question of pleading and his claim appears to be that only a Federal Court would have jurisdiction, which issues were decided adversely to him in the Court of the first instance. (Opinion of the trial Court, Petitioner's Application page 5, and by the Michigan Supreme Court, Petitioner's Application pages 17-19, 21, 22). The case came on for trial on Bill of Complaint and Answer thereto before the Circuit Court for Genesee County, Michigan in Chancery, Honorable Stephen J. Roth presiding.

The Bill of Complaint (5a) asked:

> "That the Defendant may be required to make an accounting with the Plaintiff and to compensate it for any and all damages, costs and expenses sustained by it.
>
> "That the Defendant may be required to assign any right, title and interest claimed by the Defendant in and to the patent and patent applications aforesaid to the Plaintiff.
>
> "That the Plaintiff may be decreed to be the sole owner of the aforesaid patents and patent applications and the name Hydra-Lock Co. and that the Defendant may be required to assign the same to the Plaintiff and discontinue the use thereof.
>
> "That the Plaintiff may have such other and further decrees in the above matter as may be equitable."

The Respondent's Answer (7a-8a) admits no interest in the trade-name "Hydra-Lock." It denied the relief sought as to the patents.

The trial of the cause required several days: seven witnesses were called by the Plaintiff (Petitioner here); 42 exhibits were introduced in evidence, which consisted of invoices, expense accounts, drawings and correspondence signed by the Petitioner and the officers of the Respondent (Vol. II Joint Appendix. It was not disputed that the Respondent and its predecessors had invested upwards of sixty to eighty thousand dollars in the experimental work and the development of the patent

The trial Court permitted Paragraph III of the Bill of Complaint (183a) to be amended as follows:-

> "'That in the year 1952 and prior thereto, George L. Atherholt, Sr. conceived the basic principle of a certain tool known as a "hydrostatic holding device" for which the patent application was made to the U. S. Patent Office', and the rest of the paragraph remain as contained in the bill of complaint."

The amendment is permitted under the Michigan law.

Petitioner has not stated facts or history in connection with the issues between the parties, and we deem such to be necessary for an understanding of the case; and believing them well and concisely stated in the opinion of the trial Court, with which the Petitioner has not taken issue in his application except as to the questions of pleading and Federal jurisdiction, we hereafter quote from the Opinion.

George L. Atherholt, Sr. is a stockholder in respondent company, and father of Petitioner, George L. Atherholt, Jr. John A. Coletti is the other stockholder of respondent company. The opinion of the trial Court (we have inserted in parentheses page numbers of the Appendix) states as follows:

"OPINION
(Filed December 12, 1956)

> "The plaintiff corporation filed suit praying that it be decreed the sole owner of certain patent rights and patent applications, and that defendant be required to assign such rights and be enjoined from exercising any rights thereunder. The parties have introduced a large number of exhibits for the purpose of tracing the history of the development of the basic idea of a hydraulic expanding arbor and to show the relationship of the three individuals, i.e., Atherholt Senior, Coletti and Atherholt, Junior. Without burdening this opinion with a detailed recital, it serves our purposes to say that late in February, 1951 (187a) Atherholt Junior became an employee of the A & C Engineering Service, a partnership composed of Atherholt Senior

and Coletti. That partnership was formed in 1947 for the purpose of engaging in engineering and design of industrial tools.

"In December 1951 (22a), Atherholt Senior, on a visit to an industrial plant in the City of Saginaw, saw a German mechanical expanding arbor, as a result of which he conceived the idea that a better and much less expensive arbor might be built on a hydraulic principle. On August 11th, 1952, Atherholt Senior wrote a letter (349a) to himself outlining his idea for the arbor and enclosed it, together with a sketch and a drawing illustrating the arbor, in an envelope which he mailed registered to himself. This letter was postmarked as having been processed through the United States mails and was opened in court during the trial. Atherholt Senior testified that he mailed a copy of this letter to his son, the defendant. The latter denies having received it. It appears that later that same month (August 1952) Atherholt Senior enlisted the help of Junior and also other employees of A & C and commissioned an independent tool man, one Sutton (22a), to do certain experimental work. The Sutton work on the idea was at the expense of A & C. About the same time the Atherholts took steps to have patent applications prepared, and notices (355a) were given employees that the company was asserting ownership of the hydraulic arbor and ordered them to take security measures respecting its development.

"The idea conceived by Atherholt Senior was but a starting point, and the experimentation and development work covered a period of many months. Atherholt Senior estimates that this entailed an expense of between sixty and eighty thousand dollars, supplied by the partnerships, then the corporation, and involving personal contributions of machines and money by Coletti individually. Atherholt Senior and Junior were both on the payroll as employees and were paid for most of the work done by them in perfecting the arbor; although naturally it cannot be said that all of it, especially the germination of new ideas for progress, were done on company time. At all times

all the parties concerned treated the hydraulic expanding arbor as company property, and it is significant that well before the arbor was perfected, i.e. in May 1953, the patent attorney was instructed by Atherholt Senior and Junior to prepare an assignment of all patent rights to the idea from them to the company. See Choate letter of May 13, 1953 (356a).

"In July 1953 Atherholt Junior was added to the company through the formation of a three-man partnership composed of the two Atherholts and Coletti, with Junior receiving a fifteen per cent interest. The work of developing the arbor continued apace, and soon became the principal occupation of the business. The partnership, and then the corporation, which succeeded it, bore the substantial financial burden of the experimentation and development and paid in excess of Twenty-five Hundred Dollars for attorney fees alone in their efforts to protect the idea. The evidence permits no other conclusion than that patent applications were made in the names of the Atherholts with the understanding and agreement that they would assign patent rights to the business. One need but refer to statements made by Atherholt, Junior to confirm this. The letter of November 20, 1952 from Atherholt Junior to Coletti unequivocally attributes ownership to the partnership: '* * * this expanding arbor is a vital part of our business * * * with the proper handling it should prove of value to A & C * * *. I do feel that we are covered with what patents we have applied for * * * also, I feel that we should consider using the name HYDRALOCK TOOL AND ENGINEERING COMPANY. The reason being that the arbor and expanding business is going to be the further business of A & C * * *' (373a).

"Perhaps it is most illustrative of the equities in the case to ask what Atherholt Junior would have had in the way of an invention if only his contribution is taken into account. The idea of a hydraulic expanding arbor was his father's, not his; this the son admits. The development, the experimentation and the perfection of the idea were done on company time and money, by trying and applying the specific ideas of the

father,' the son, Coletti and employees of the company. Most of these ideas were found wanting and discarded. Finally, after much time and effort, and the expenditure of considerable money, the idea was turned into a working tool capable of performing the function for which it was intended. The result cannot be said to be the sole effort of Atherholts Senior and Junior. Atherholt Senior does not know, nor has he ever claimed title to the arbor, although there would be more plausibility to a claim of ownership by him than there is in that asserted by the defendant.

"That Atherholt Junior devoted himself to the development of the arbor cannot be gainsaid, but it should be noted that his services fall within the category of an employee who is hired or engages for a consideration, to devote his time to developing a device, which when so developed becomes, without qualification, the property of his employer. His success accrues to the employer, and there arises an implied term of his employment that he assign to the employer any patent or invention rights which result from such work. It is significant in this regard to note that the defendant at no time until the filing of this suit (except by his failure to execute the assignment), made any claim of ownership of patent rights or of the invention, even after his withdrawal from the corporation by sale of his stock interest to Atherholt Senior in April 1955. Nor is there any record of any protest by the defendant of A & C activities in manufacturing, selling or promotion of the use of the hydraulic expanding arbor.

"Defendant's assertion that this Court has no jurisdiction over the subject matter of this suit is without merit. Actions to determine ownership rights, and particularly the assignment of patent rights, are governed by equitable principles. The rights in issue here call for the recognition and application of general equitable principles and do not arise under the statutes granting patent rights.

"The plaintiff corporation may have a decree establishing its ownership of the hydraulic expanding

arbor and all patent rights and applications appurtenant thereto, and the defendant will be required to execute appropriate assignments effectuating transfer of all such rights to the plaintiff, the rightful owner."

The facts as found by the Michigan Supreme Court in its decision, page 16 Petitioner's Application, concur with the trial Court.

F.

REASONS FOR OPPOSING CERTIORARI.

1. The Court below did not decide a Federal question of substance not heretofore determined by this Court or decide it in a way probably not in accordance with applicable decisions of this Court.

2. That a State Court in equity was and is the proper forum to determine equitable ownership of a patent.

In *Spring'd Wire Corp. vs. Falls*, 293 Mich. 602, 292 N.W. 498, beginning on page 609, it is said:

"The Constitution of the United States, art. 1, Sec. 8, provides the congress shall have power:

"'To promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries.'

"The judicial code, approved March 3, 1911, states:

"'The jurisdiction vested in the courts of the United States in the cases and proceedings hereinafter mentioned, shall be exclusive of the courts of the several States: * * *

"'Fifth. Of all *cases* arising under the patent-right, or copyright laws of the United States.' 36 Stat. at L. 1160, 1161 (28 USCA, Sec. 371).

"This section of the judicial code has not been construed to deny a State Court jurisdiction where the case is fundamentally one over which the State court

has jurisdiction but where, incidental thereto, a question arises under the patent laws.

"There is a clear distinction between a case and a question arising under the patent laws." *Pratt v. Paris Gas Light & Coke Co.*, 168 U. S. 255, 259 (18 Sup. Ct. 62).

See, also, *Henry T. Sleinmer's Appeal*, 58 Pa. 155 (98 Am. Dec. 248); *Cheatham Electric Switching Device Co. vs. Kentucky Switch & Signal Co.*, 213 Ky. 23 (280 S.W. 469); *Respro, Inc. v. Worcester Backing Co.*, 291 Mass. 467 (197 N.E. 198).

"On numerous occasions the State court has taken jurisdiction where a question of patents was involved. 1 Walker on Patents, (6th Ed.) Secs. 326, 438. Thus, the State Court has jurisdiction in an action for deceit in the sale of patent rights (*David v. Park*, 103 Mass. 501); of a counterclaim for slander by assertion of infringement (*Hanson v. Hall Manfg. Co.*, 194 Iowa 1213 (190 N.W. 967); for recovery of royalties where defendant pleaded the invalidity of the patent (*Ridgway v. Wetterhold*, 102 Kan. 217 (169 Pac. 1159); *Herzog v. Heyman*, 8 Misc. 27 (28 N. Y. Supp. 74); *Brandt v. Ad-Tape Co.*, 7 N. Y. Supp. (2d) 135); of a suit upon a note where the defense was that the patent was void and there was no consideration (*Nash v. Lull*, 102 Mass. 60 (3 Am. Rep. 435); *Bierce v. Stocking*, 11 Gray (77 Mass.), 174). In an action at law for damage resulting from competition which plaintiff alleged was unfair for the reason defendants were not the true inventors (*Zenie v. Miskend*, 270 N. Y. 636 (1 N.E. (2d) 367); jurisdiction of the State court was upheld even though there was then a suit pending in the lower Federal court for a declaratory judgment as to who was the true inventor of defendant's patent. See 50 Harvard Law Review, p. 364 (1936-1937). Jurisdiction of the State court has been upheld where the right originally asserted is founded on a contract or on one of the general bases of tort liability. *La Chapelle v. United Shoe Machinery Corp.*, 272 Mass. 465 (172 N.E. 586); *Wade v. Lauders* 165 U. S. 624 (17

Sup. Ct. 425). The test of jurisdiction seems to be the nature of the right asserted in plaintiff's pleadings.

"'There is a clear distinction between a case and a question arising under the patent laws. The former arises when the plaintiff in his opening pleading — be it a bill, complaint or declaration — sets up a right under the patent laws as ground for a recovery. Of such the State courts have no jurisdiction. The latter may appear in the plea or answer or in the testimony. The determination of such question is not beyond the competency of the State tribunals.' *Pratt v. Paris Gas Light & Coke Co.*, supra, 259. Of course the party who brings a suit is master to decide what law he will rely upon and therefore does determine whether he will bring a 'suit arising under' the patent or other law of the United States, by his declaration or bill. That question cannot depend upon the answer, and accordingly jurisdiction cannot be conferred by the defense even when anticipated and replied to in the bill. *Devine v. Los Angeles*, 202 U. S. 313, 334 (26 Sup. Ct. 652). Conversely, when the plaintiff bases his cause of action upon an act of congress jurisdiction cannot be defeated by a plea denying the merits of the claim.' *The Fair v. Kohler Die & Specialty Co.*, 228 U. S. 22 (33 Sup. Ct. 410).

"See, also, note, 'The Jurisdiction of State Courts Over Cases Involving Patents', 31 Columbia Law Review, pp. 461-465 (1931).

"On a motion to dismiss the allegations contained in the bill of complaint must be taken as true. *Watson v. Wagner*, 202 Mich. 397. Plaintiff's bill of complaint only incidentally asserts a right under the patent law. Primarily, plaintiff alleges that defendants, in breach of their confidential relation as trusted officers and employees of plaintiff, failed to discharge the 'trust relationship so owed to plaintiff corporation', and 'fraudulently, maliciously and intentionally conspired, confederated, combined and contrived among themselves and divers other persons, * * * to deprive plaintiff corporation from obtaining the designs, construc-

tions, inventions, patent applications and patents and trade secrets conceived, produced, constructed, designed and/or developed and discovered by them and said trusted employees.' The essence of plaintiff's bill of complaint is that, through their confidential relationship to plaintiff corporation, certain of the individual defendants secured information which, in breach of their fiduciary relationship, they used for their own personal advantage and in violation of the trust. When the right asserted in the bill of complaint is founded upon a confidential relationship involving the highest trust and confidence, the undoubted jurisdiction of the State courts is not divested because, as a necessary step to granting a relief, the State court must determine priority of inventiveness. *Irving Iron Works v. Kerlow Steel Flooring Co.*, 96 N. J. Eq. 702 (126 Atl. 291); *Boecher v. Contoure Laboratories, Inc.*, 279 U. S. 388 (49 Sup. Ct. 356); *La Chapelle v. United Shoe Machinery Corp.*, supra; *Nahikian v. Mattingly*, 265 Mich. 128; 38 Yale Law Journal p. 683 (1928-1929).

"In *Irving Iron Works v. Kerlow Steel Flooring Co.*, supra, plaintiff alleged that certain of defendant's employees by the use of confidential information gained by them while in plaintiff's employ, had unlawfully appropriated the design for making a certain type grating. Defendant had patented the invention before the filing of the bill of complaint and claimed the State court had no jurisdiction. It was said:

"'It is argued, however, that the defendants, before bill filed, had applied for a patent on this design, and that pending the litigation this patent had been granted; and that these facts turn the controversy into a patent litigation, cognizable only in the Federal courts. No such issue appears to have been raised on the pleadings, and we agree with the vice-chancellor in holding it irrelevant to the theory of the bill. That theory we understand to be, in substance, that the defendants, *through their confidential relations with complainant*, secured a design, its private property withheld presently from the public, *and have*

undertaken to patent it as their own; that in so doing they are trustees ex maleficio, and, as such, accountable for illicit profits, and to be restrained by injunction from further use of complainant's property. No patent rights as such are here involved. *What is involved is a trust arising by operation of law.'*

"The most recent pronouncement of the supreme court of the United States upon this subject is *Becher v. Contoure Laboratories, Inc., supra.* In the State court, Contoure Laboratories, Inc., as assignee of one Oppenheimer, alleged that Oppenheimer was the inventor of a massaging device; that he employed Becher to make mechanical parts; that Becher promised and contracted with Oppenheimer to keep secret and confidential all information and not to use the same for the benefit of any other than Oppenheimer; that, in violation of this trust and position of highest confidence, Becher secured a patent in his own name. Plaintiff prayed that Becher be declared a trustee *ex maleficio* of said invention; that he be restrained from using or disposing of such instruments; that he be enjoined from granting any rights under such letters patent; that he deliver up to plaintiff all rights under such patents; that it recover damages. Becher denied all the allegations, the State court upheld its jurisdiction, and a trial was had before a referee who made findings of fact supporting all of plaintiff's allegations. Becher then filed suit in the Federal district court to enjoin the jurisdiction of the State court. Mr. Justice Swan, with whom Mr. Justice Learned Hand concurred, held the State court had jurisdiction. Mr. Justice Manton dissented. *Becher vs. Contoure Laboratories, Inc.*, (C.C.A.), 29 Fed. (2d) 31. On appeal to the United States Supreme Court, appellant argued that the complaint showed upon its face that Oppenheimer, and not Becher, was the inventor of the subject matter of the Becher patent; that this was denied by Becher; that thereby the question was raised as to who was the first inventor; that this was an issue which must be decided before any other issue could be decided; that the case was gov-

erned by the case of *Henry T. Slemmer's Appeal, supra.* Mr. Justice Holmes, writing for the court, affirmed the holding of the circuit court of appeals, saying:

"'It is not denied that the jurisdiction of the courts of the United States is exclusive in the case of suits arising under the patent laws, but it was held below that the suit in the State court did not arise under those laws. It is plain that that suit had for its cause of action the breach of a contract or wrongful disregard of confidential relations, both matters independent of the patent law, and that the subject matter of Oppenheimer's claim was an undisclosed invention which did not need a patent to protect it from disclosure by breach of trust. *Irving Iron Works vs. Kerlow Steel Flooring Co.*, 96 N.J. Eq. 702 (126 Atl. 291). *DuPont de Nemours Powder Co. vs. Masland*, 244 U. S. 100 (37 Sup. Ct. 575). Oppenheimer's right was independent of and prior to any arising out of the patent law, and it seems a strange suggestion that the assertion of that right can be removed from the cognizance of the tribunals established to protect it by its opponent going into the patent office for a later title.'

"There, as here, the cause of action was based upon the breach of a confidential relationship; and there, as here, there would be no breach and thus no recovery if the patentee was the true inventor. This case was recognized in this State in *Nahikian vs. Mattingly*, supra, a bill by minority stockholders to compel defendant, manager of the company to assign to the corporation patents taken out in defendant's own name. Evidence showed the inventions were developed by employees of the company. It was said:

"'The point that the State court is without jurisdiction to decree that the patents be assigned is without merit. *Becher vs. Contoure Laboratories, Inc.*, 279 U. S. 388 (49 Sup. Ct. 356).'

"In *La Chapelle v. United Shoe Machinery Corp.*, supra, 472, plaintiff, an employee of defendant, dis-

closed and assigned certain inventions to defendant. Defendant promised plaintiff fair remuneration for all patents profitably used. Defendant then had patents upon plaintiff's discovery issued in the name of a third person who assigned the patents to defendant. It was said:

"'The defendant lays hold of incidental expressions in certain opinions to the effect that if a plaintiff by his opening pleading makes it appear that some right or privilege under the patent laws will be defeated by one construction, or sustained by the opposite construction of those laws, or raises any question as to the validity of a patent, the case arises under the patent laws. * * * Whatever weight is to be attached to such expressions, they are not relevant to the grounds of the present decision. As applied to the cases at bar, they do not shake the binding force of the Becher case. There the suit in the State court had immediate reference to particular letters patent and attacked the originality of the invention which appeared to be asserted and established on the very face of the letters patent.'

"See, also, *George C. Miller & Co., Inc., vs. Beagen*, 293 Mass. 54 (199 N.E. 344).

"The individual defendants claim that when the bill of complaint directly assails the patentee's rights and when the right to recovery depends upon a determination that the patent is void, a State court does not have jurisdiction. *Kennedy v. Hazelton*, 128 U.S. 667 (9 Sup. Ct. 202); *Paul v. Collins*, 191 Mich. 113; *Henry T. Slemmer's Appeal*, supra; *Forster v. Brown Hoisting Machinery Co.*, 266 Ill. 287 (107 N.E. 588, Ann. Cas. 1916B, 795); *Cheatham Electric Switching Device Co. vs. Kentucky Switch & Signal Co.*, supra. See, also, *Grob vs. Continental Machine Specialties, Inc.*, 204 Minn. 459 (283 N.W. 774). Whatever force and effect those cases had at the time of their decision, they were in effect overruled by *Becher v. Contoure Laboratories, Inc.*, supra. *Henry T. Slemmer's Appeal*, supra, relied upon and followed in *Paul v. Collins*, supra, was cited by appellant in *Becher*

v. Contoure Laboratories, Inc., supra. Mr. Justice Holmes, relative to this point, said:

"'It is said that to establish Oppenheimer's claim is to invalidate Becher's patent. But, even if mistakenly, the attempt was not to invalidate that patent but to get an assignment of it, and an assignment was decreed. Suits against one who has received a patent of land to make him a trustee for the plaintiff on the ground of some paramount equity are well known. Again even if the logical conclusion from the establishing of Oppenheimer's claim is that Becher's patent is void, that is not the effect of the judgment. Establishing a fact and giving a specific effect to it by judgment are quite distinct. A judgment *in rem* binds all the world, but the facts on which it necessarily proceeds are not established against all the world, *Manson v. Williams*, 213 U. S. 453, 455 (29 Sup. Ct. 519), and conversely establishing the facts is not equivalent to a judgment *in rem*. * * *

"'A fact is not prevented from being proved in any case in which it is material, by the suggestion that if it is true an important patent is void — and, although there is language here and there that seems to suggest it, we can see no ground for giving less effect to proof of such a fact than to any other'."

In *Hold Stitch Fabric Machine Company vs. May Hosiery Mills*, Tennessee Supreme Court, 167 A.L.R. 1104, 195 S.W. 2d 18, Headnote 7 is as follows:

"Courts Sec. 329 — State or Federal jurisdiction — action to determine title to patent.

"7. An action the gist of which is to determine the title to a patent is within the jurisdiction of a state court, even though questions of validity or infringement of the patent are involved in connection with such determination."

and at page 1105, Headnote 9, it says:

"Courts Sec. 329 — State or Federal jurisdiction — action to establish title to patent.

"9. An action to establish the right of the inventor's assignee to a patent for an invention made during the inventor's employment by another, as against such employer claiming to be equitably entitled thereto, is, although the bill prays for an injunction against defendant's use of the patented invention, not one excluded from the jurisdiction of state courts by provisions of 28 USCA Sec. 371 (5th) that Federal courts shall have exclusive jurisdiction of suits arising under the patent-right laws of the United States."

As to Headnote 7 at Page 1109, the Court says:

"Headnote 7 — And where the gist of the action is to determine the title to a patent, the federal courts are without jurisdiction, even though questions of validity or infringement of the patent are involved in connection with such determination. *Shoemaker v. South Bend Spark Arrester Co.*, supra; *Jones Cold Store Door Co. vs. Jones*, 108 Md. 439, 70 A. 88, 129 Am. St. Rep. 446; *New Marshall Engine Co. vs. Marshall Engine Co.*, 223 U.S. 473, 32 S. Ct. 238, 56 L. Ed. 513.

"In all such cases, the state courts are not prohibited from passing upon patents, their validity or their infringement, when this inquiry arises as an incidental or collateral part of a case properly triable in a state court. *Wittemann Bros. v. Wittemann Co.*, 88 Misc. 266, 151 N.Y.S. 813; *Reliable Incubator & Brooder Co. v. Stahl*, 7 Cir., 105 F. 663, 44 CCA 657; Ann. Cas. 1916B, 804; *Pratt v. Paris Gas Light & Coke Co.*, 155 Ill. 531, 40 N.E. 1032, affirmed in 168 U. S. 255, 18 S. Ct. 62, 42 L. Ed. 458."

As to Headnote 9 at Page 1110, the Court says:

"Headnote 9. We are of opinion that the instant suit comes within the second of these classifications. Considering the bill as a whole, the primary

relief sought is a declaration of the rights of the parties and an adjudication of the ownership of inventions covered by the patents. Such relief depends, or may depend, upon a construction of instruments mentioned in the bill, and asserted by complainant to be clouds upon its title to the patents. The removal of such clouds is the primary purpose upon determination of which all further relief depends. No allegations of the bill raise any question of the validity of the patents or of construction of the patent laws. The only allegation which might be contrued to allege infringement is that averring that defendant, unless restrained, will begin production of machines containing improvements covered by the patents. The main effect of this allegation is to 'point up' the necessity and urgency for a determination of the rights of the parties in the patented inventions to avoid injury to complainant. Although the bill prays for an injunction against defendant's use of the patented inventions, it is apparent that such relief is ancillary to and dependent upon determination of the title and rights of the parties.

"In Wilson v. Sandford, 10 How. 99, 51 U.S. 99, 13 L. Ed. 344, a bill was filed in the federal court setting forth complainant's ownership of a patent, a contract assigning a license in said patent to defendants, the breach of such contract by defendants, and the consequent forfeiture of the license. The bill further averred that defendants were using the patented machine and were infringing the patent. The bill prayed for an accounting, a reinvestiture of complete right and title in the complainant, and a temporary and permanent injunction. On demurrer, the bill was dismissed for lack of jurisdiction as not arising under the patent laws, and the court said (10 How. at page 101, 51 U.S. at page 101, 13 L. Ed. 344):

" 'Now, the dispute in this case does not arise under any act of Congress; nor does the decision depend upon the construction of any law in relation to patents. It arises out of the contract stated in the bill;

and there is no act of Congress providing for or regulating contracts of this kind. The rights of the parties depend altogether upon common law and equity principles. The object of the bill is to have this contract set aside and declared to be forfeited; and the prayer is, 'that the appellant's reinvestiture of title to the license granted to the appellees, by reason of the forfeiture of the contract, may be sanctioned by the court', and for an injunction. *But the injunction he asks for is to be the consequence of the decree of the court sanctioning the forfeiture.* He alleges no ground for an injunction unless the contract is set aside". (Emphasis ours).

"In *Luckett v. Delpark, Inc.*, 270 U. S. 496, 46 S. Ct. 397, 70 L. Ed. 703, relied upon by both appellant and appellee, the bill set forth complainant's title to certain patents, an assignment to defendants, a breach of conditions of such assignment, and infringement by the defendants. The prayer for relief asked that title to one patent be reassigned to plaintiff to remove a cloud on his title; that assignments be cancelled; that an accounting be had; and that defendants be enjoined from further use of the inventions concerned.

"After an exhaustive review of the Supreme Court decisions, the Court said through Mr. Chief Justice Taft (270 U.S. at page 502, 46 S. Ct. at page 399, 70 L. Ed. 703):

"'We do not think that this suit arises under the patent laws. Its main and declared purpose is to enforce the rights of the plaintiff under his contracts with defendants for royalties, and for pushing the sale of 'My Pal' garments. In addition he seeks the reconveyance of one patent on forfeiture for failure of condition *to remove a cloud on his title* and a cancellation of all agreements of license of the other for their breach in order presumably that, unembarrassed by his assignment and license he may enjoin future infringement'.

"The Court thereupon holds that (270 U.S. at pages 510, 511, 46 S. Ct. at page 402, 70 L. ed. 703) 'the principle, laid down in Wilson v. Sandford, that where a patentee complainant makes his suit one for recovery of royalties under a contract of license or assignment, or for damages for a breach of its covenants, or for a specific performance thereof, or asks the aid of the court in declaring a forfeiture of the license, or *in restoring an unclouded title to the patent*, he does not give the federal District Court jurisdiction of the cause as one arising under the patent laws. Nor may he confer it in such a case by adding to his bill an averment that after the forfeiture shall be declared, or the title to the patent shall be restored, he fears the defendant will infringe, and therefore asks an injunction to prevent it'." (Emphasis added).

Mr. J. E. Macy in the annotation following the case of *Hold Stitch Fabric Machine Co. vs. May Hosiery Mills*, supra, at page 1118, says:

"CORRECT RULE.

"The key to the correct rule is the distinction between a 'case' arising under the patent laws and a 'question' arising under those laws. *Pratt v. Paris Gas Light & Coke Co.*, (1897) 168 U. S. 255, 42 L. Ed. 458, 18 S. Ct. 62.

"Reduced to its lowest terms, the correct rule is that if the plaintiff founds his suit directly on a breach of some right created by the patent laws, he makes a case arising under those laws and only a Federal Court has jurisdiction; but if he founds his suit on some right vested in him by the common law, or by general equity jurisprudence, he makes a case arising under state law and only a state court has jurisdiction. In this respect it is to be remembered that there is no Federal common law or equity law. These are the juridical attributes of the localities. Their principles, when administered in a Federal Court, are derived from the respective peoples of the state. A case founded on a principle of tort, contract, or equity laws is a case arising under state law. And which-

ever court has jurisdiction by reason of the nature of the cause of action advanced by the plaintiff, that court may decide such issues as arise incidentally to a decision. If a plaintiff sues in a Federal court for infringement, and the defendant sets up rights under a contract, the court may reach its conclusion upon an issue of contract law. If the plaintiff sues in a state court for breach of a contract, the state court may decide an issue raised as to the validity or coverage of a patent, and even submit a question of priority to a jury. If the action be for breach of a contract to sell the plaintiff a valid patent, the state court may decide the validity of the patent. This is the almost universal rule."

At page 1158, he says:

"From the review of decisions made in the L. A. Young Spring & Wire Corp. case, it would seem probable that Michigan is now in accord with the prevailing rule, but that review was made with reference to the case then before the court."

The findings of fact contained in the opinion of the trial Court (9a-13a), hereinbefore quoted for convenience, clearly demonstrates jurisdiction in equity.

G.

THE RESPONDENT IS THE EQUITABLE OWNER OF THE PATENTS.

Because of the following: Petitioner's duties at time of employment; the original idea was not Petitioner's but his father's; the idea was disclosed to Petitioner by employer; Petitioner, a trusted employee, assigned work in connection therewith; others participated in the development of the idea; the Respondent paid for all development and compensated the Petitioner for his work in connection therewith; the Petitioner advanced from employee to partner, to stockholder, officer and director of Respondent thereby being further trusted; Petitioner represented to his father, Coletti and customers that the Respondent

owned the device; Petitioner sold his stock in the company to his father without notice of claim of rights in the patent; he sued to recover wages without reference to the patent; and he never made public claim until the institution of the present suit; demonstrate that in equity and good conscience the Respondent is and was intended to be the owner of the patent, and the Petitioner should be estopped from claiming any interest therein and compelled to make assignment thereof as was done in the Court below."

In the case of *Standard Parts Company vs. Peck*, 264 U. S. 52, the Supreme Court stated:

> "The courts reached different rulings because of different readings of the cases. That of the district court was, that while the mere fact that one is employed by another does not preclude him from making improvements in the machine with which he is connected, and obtaining patents therefor, as his individual property, yet, if he 'be employed to invent or devise such improvements, his patents therefor belong to his employer, since in making such improvements he is merely doing what he was hired to do.'
>
> "The circuit court of appeals rejected this test. It conceded however, that the deduction of the district court was sustained by Solomons v. United States, 137 U. S. 342, 34 L. Ed. 667, 11 Sup. Ct. Rep. 88, McAleer v. United States, 150 U. S. 424, 37 L. Ed. 1130, 14 Sup. Ct. Rep. 160, and Gill v. United States, 160 U. S. 426, 40 L. Ed. 480, 16 Sup. Ct. Rep. 322, and, if correct, required the affirmance of the decree of the district court. And the court admitted that there was no later declaration than that of those cases, nor any criticism of it.
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> . . .
>
> "It is going very far to say that the declaration of Solomons v. United States, repeated in subsequent cases, and apparently, constituting their grounds of decision, may be put aside or underrated, — assigned the inconsequence of dicta. It might be said that there is persuasion in the repetition. It cannot be contended that the invention of a specific thing cannot be made

the subject of a bargain and pass in execution of it. And such, we think, was the object and effect of Peck's contract with the Hess-Pontiac Spring & Axle Company.

* * *

"By the contract Peck engaged to 'devote his time to the development of a process and machinery,' and was to receive therefor a stated compensation. Whose property was the 'process and machinery' to be when developed? The answer would seem to be inevitable and resistless, — of him who engaged the services and paid for them, they being his inducement and compensation, they being not for temporary use but perpetual use, a provision for a business, a facility in it and an asset of it, therefore, contributing to it whether retained or sold; the vendee (in this case the Standard Company) paying for it and getting the rights the vendor had (in this case, the Axle Company).

"Other meaning to the contract would confuse the relation of the parties to it, — take from the Axle Company the inducement the company had to make it, — take from the company the advantage of its exclusive use, and subject the company to the rivalry of competitors. And yet, such, we think, is the contention of Peck. He seems somewhat absorbing in his assertion of rights. He yields to the Axle Company a shop right only, free from the payment of royalty, but personal and temporary, — not one that could be assigned or transferred. Peck, therefore, virtually asserts, though stimulated to services by the Hess Company and paid for them, — doing nothing more than he was engaged to do and paid for doing, — that the product of the services was so entirely his property that he might give as great a right to any member of the mechanical world as to the one who engaged him and paid him, — a right to be used in competition with the one who engaged him and paid him.

"We cannot assent to this nor even to the limitation the Court of Appeals put upon Peck's conten-

tion. We concur with the District Court, and therefore reverse the decree of the Circuit Court of Appeals."

In the case of *Solomons vs. United States*, 137 U. S. 342, relied upon by the United States Supreme Court in the *Standard Parts vs. Peck* case above referred to, one Solomons sued the United States Government for infringement of a patent issued to Clark. Clark had been employed as chief of the printing and engraving plant under the Secretary of Treasury. While undertaking that employment, he was asked to devise a revenue stamp, which he did. Clark advised the Treasurer that the Government could use it but the design was his. He patented it and then assigned it to Solomons. The question in this case was not whether the Government owned the Clark patent, but was whether the Government was unlawfully trespassing on Clark's patent rights. The Court held that in view of Clark's employment the Government was lawfully using his invention. In deciding the case, however, the Court laid down the general law as relates to inventions of employees with relation to employers, as follows:

> "An employee performing all the duties assigned to him in his department of service, may exercise his inventive faculties in any direction he chooses, with the assurance that whatever invention he may thus conceive and perfect is his individual property. There is no difference between the government and any other employer in this respect. But this general rule is subject to these limitations: If one is employed to devise or perfect an instrument or a means for accomplishing a prescribed result, he cannot, after successfully accomplishing the work for which he was employed, plead title thereto as against his employer. That which he has been employed and paid to accomplish becomes when accomplished, the property of his employer. Whatever rights as an individual he may have had in and to his inventive powers, and that which they are able to accomplish, he has sold in advance to his employer."

Although these statements were dicta, as was stated by the United States Supreme Court in the *Standard Parts vs. Peck* case, it is going very far to say that this declaration which has been repeated in subsequent cases and apparently constituted the grounds of the decision may be put aside or underrated or assigned the inconsequence of dicta.

In *Wireless Specialty Apparatus Company vs. Mica Condenser Company, Ltd.*, 239 Mass. 158, 131 N.E. 307, the decision disposes of two cases; one case involved the right of the employer to the employee's inventions, and the other involved the right to enjoin employees from disclosing secret processes and confidential matter. The plaintiff in that suit was a manufacturer of radio condensers for the United States during the World War. At the end of that war the company's outlook was not bright, and its officers conceived the idea of producing magneto condensers to be sold to manufacturers of electrical apparatus. In June, 1919, they had six employees then remaining in plaintiff's condenser department, and they were employed in experimental work in developing a method of manufacturing these magneto condensors. This work was continued until the production of condensers began. The work was all substantially performed in the plaintiff's shops, with its tools, and at its expense, and under the general direction and supervision of its Chief Engineer. During this development three inventions were made. The defendant, MacPherson, one of the employees, had patents issued to him on these inventions which were assigned in due time to the defendant in this suit. The Court stated:

> "It is found on conflicting evidence that there was no express contract that any invention made by these employees was to be the plaintiff's property; and the evidence did not satisfy the judge that there was any understanding to that effect.
>
> "The principles governing relationship between employer and employee, so far as property in invention is involved, using that word in the sense in which it is used in the statutes relating to patents, are well established. An invention made by an employee in the course of his employment, and at his

employer's expense, is the property of the inventor unless he has, by the terms of his employment or otherwise, agreed to transfer to his employer its ownership as distinguished from its use. It matters not how valuable the invention, or how vital its control may be for the success of the business in which it has been conceived. American Circular Loom Co. v. Wilson, 198 Mass. 182, 126 Am. St. Rep. 409, 84 N.E. 133; American Stay Co. v. Delaney, 211 Mass. 229, 97 N.E. 911 Ann. Cas. 1913B 509; Hapgood v. Hewitt, 119 U. S. 226, 30 L. Ed. 369, 7 Sup. Ct. Rep. 193; Dalzell v. Deuber Watch Case Mfg. Co., 149 U. S. 315, 37 L. Ed. 749, 13 Sup. Ct. Rep. 886; Pressed Steel Car Co. v. Hansen, 2 L.R.A. (N.S.) 1172, 71 C.C.A. 207, 137 Fed. 493; Dempsey v. Dobson, 174 Pa. 122, 32 L.R.A. 761, 52 Am. St. Rep. 816, 34 Atl. 459.

"However, as was said in Solomons v. United States, 137 U. S. 342, at 346, 34 L. Ed. 667, 669, 11 Sup. Ct. Rep. 89: 'If one is employed to devise or perfect an instrument, or a means for accomplishing a prescribed result, he cannot, after successfully accomplishing the work for which he was employed, plead title thereto as against his employer. That which he has been employed and paid to accomplish becomes, when accomplished, the property of his employer.'

"The inventions here in controversy were made while the inventors were wholly engaged in 'experimental work to develop a method of manufacturing magneto condensers.' That, for the time being, was their sole employment. They were under the direction of the plaintiff's superintendent who aided and furnished information to them."

* * *

The Court further said that for the defendants,

"to justify a claim of property in the inventions, it must be held that the plaintiff had no interest in that which its workmen created while engaged in

this special work, except the ownership of the actual things produced considered merely as chattels, and except a non-exclusive right to use them or the processes discovered. Such a result defeats the purpose in which they were engaged. In a case like this the nature of the employment impresses on the employee such a relationship of trust and confidence as estops him from claiming as his own property that which he has brought into being solely for the benefit; and at the express procurement of his employer. The want of an express agreement that the ownership shall be in the employer is not fatal under such circumstances. This result is supported by authority. Gill v. United States, 160 U. S. 426, 40 L. ed. 460, 16 Sup. Ct. Rep. 322; Silver Spring Bleaching & Dyeing Co. v. Woolworth, 16 R. I. 729, 19 Atl. 528. Said the court in Gill v. United States, supra, 160 U. S., at page 435: 'There is no doubt whatever of the proposition laid down in Solomons' case, that the mere fact that a person is in the employ of the government does not preclude him from making improvements in the machines, with which he is connected, and obtaining patents therefor as his individual property, and that in such case the government would have no more right to seize upon and appropriate such property, than any other proprietor would have. On the other hand, it is equally clear that, if the patentee be employed to invent or devise such improvements, his patents obtained therefor belong to his employer, since in making such improvements he is merely doing what he was hired to do.'"

In the case of *Air Reduction Co., Inc. vs. Walker*, 195 N. Y. S. 120, it is said:

"Defendant was employed by Plaintiff as a research chemist, among other things, to discover or invent some method or means for utilizing commercially the gas known as neon, which is found in small quantities in the atmosphere. Under the supervision of and in conjunction with another employee of the plaintiff, a commercial use for this gas was

discovered, and an invention made and patented. The invention involved the use of this gas as a signaling device on the rear of automobiles. The patent was taken out in the names of the defendant and his co-worker, as required by United States statute. Plaintiff claimed the right to the invention. Defendant's co-worker assigned his interest in it to the plaintiff, but defendant refused to do so. This action is to compel such assignment.

"There was no express agreement making any invention of the defendant the property of the plaintiff, nor was there any express agreement that the defendant would assign to the plaintiff any patent he might obtain; but he was employed to give his time and scientific skill for the very purpose of trying to discover and invent some practical use for this gas. In other words, he sold his inventive powers to the plaintiff, during the period of his employment.

"Under these circumstances, I think there is an implied agreement that the results of defendant's work shall belong to plaintiff, and that any patent obtained by defendant should be assigned by him. Annin v. Wren, 44 Hun, 352; Connelly Mfg. Co. v. Wattles, 49 N. J. Eq. 92, 23 Atl. 123; Miessner v. Standard Ty. Equipment Co., 211 Mo. 112, 109 S. W. 720; Dowse v. Federal Rubber Co. (D. C.) 254 Fed. 308; Famous Players-Lasky Corp. v. Ewing (Cal. Sup.) 194 Pac. 65. No case in this state holding the contrary has been brought to the court's attention. Clark v. Fernoline Chemical Co. (Super. Ct.) 5 N. Y. Supp. 190, decides only a question of pleading. Its statements upon this subject are purely obiter. There are decisions in some other jurisdictions, which seem to be at variance with those above cited. See American Circular Loom Co. v. Wilson, 198 Mass. 182, 301, 84 N.E. 133, 124 Am. St. Rep. 409; Dalzell v. Deuber Watch Case Co., 140 U. S. 315, 13 Sup. Ct. 886, 37 L. ed. 749; Barber v. National Carbon Co., 129 Fed. 370, 64 C.C.A. 40, 5 L.R.A. (N.S.) 1154; Pressed Steel Car Co. v. Hansen, 137 Fed. 403, 71 C.C.A. 207, 2 L.R.A. (N.S.) 1172; Hil-

dreth v. Duff, (C.C.) 143 Fed. 139; Hapgood v. Hewitt, 119 U. S. 226, 7 Sup. Ct. 193, 30 L. Ed. 369. Some of these cases may be distinguishable; but, even if they be not, I believe the sounder rule is set forth in the cases first cited. Hence the plaintiff is not entitled only to a shop right to use the patent, but is entitled to own it outright, and hence should have judgment against the defendant, with costs. Judgment accordingly."

We submit that to the same effect are:

Quaker State Oil Refining Co. vs. Talbot, 315 Pa. 517, 175 Atl. 99;

Goodyear Tire and Rubber Co. vs. Miller, 22 Fed (2d) 353.

In *Houghton vs. United States*, 23 Fed. (2d) 386, decided by the Court of Appeals for the Fourth Circuit, the Court said:

"It is contended, however, that the rule which we have discussed has no application here, because it is said that defendant was not employed by the government as an inventor, or to invent the fumigant gas which is the subject of the patent, but merely to do ordinary work as a chemist, such as the analyzing of dust samples. The trouble with this argument is that it gives too narrow a meaning to the word 'employed'. The right of the employer to the invention or discovery of the employee depends, not upon the terms of the original contract of hiring, but upon the nature of the service in which the employee is engaged at the time he makes the discovery or invention, and arises, not out of the terms of the contract of hiring, but out of the duty which the employee owes to his employer with respect to the service in which he is engaged. It matters not in what capacity the employee may originally have been hired, if he be set to experimenting with the view of making an invention, and accepts pay for such work, it is his duty to disclose to his employer what he discovers in making the experiments, and what he accomplishes by the

experiments belongs to the employer. During the period that he is so engaged, he is 'employed to invent', and the results of his efforts at invention belong to his employer in the same way as would the product of his efforts in any other direction."

In the case of *Agawam Woolen Co. vs. Jordan*, 7 Wall. 583, 19 L. ed. 177, it is said:

"* * * but where a person has discovered an improved principle in a machine, manufacture, or composition of matter, and employs other persons to assist him in carrying out that principle, and they in the course of experiments arising from that employment make valuable discoveries ancillary to the plan and preconceived design of the employer, such suggested improvements are in general to be regarded as the property of the party who discovered the original improved principle, and may be embodied in his patent as a part of his invention.

"Suggestions from another, made during the progress of such experiments, in order that they may be sufficient to defeat a patent subsequently issued, must have embraced the plan of the improvement, and must have furnished such information to the person to whom the communication was made that it would have enabled an ordinary mechanic, without the exercise of any ingenuity and special skill on his part, to construct and put the improvement in successful operation.

"Persons employed, as much as employers, are entitled to their own independent inventions, but where the employer has conceived the plan of an invention and is engaged in experiments to perfect it, no suggestions from an employee, not amounting to a new method or arrangement, which, in itself, is a complete invention, is sufficient to deprive the employer of the exclusive property in the perfected improvement."

In the case of *Milton vs. Kingsley*, 7 App. D. C. 531, which was a conflict between two applications in the Patent Office, the Court stated:

> "We regard it as well settled law that when one who has conceived the principle or plan of an invention employs another to perfect details and to realize his conception and the employee devises new and valuable improvements in the original conception, or invention, the improvements belong to the employer and not to the employee."
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> "It might be a question under some circumstances whether the employee or person in a fiduciary relation to the original inventor should not be regarded in a technical sense, under the terms of the law, as being entitled to have letters patent issued to him in his own name for improvements devised by him, subject to the processes of equity to compel an immediate assignment thereof to the original inventor; but we understand the jurisdiction of this court in the premises to be an equitable as well as of a purely legal and technical character, and that circuitous course under the circumstances would seem to be wholly unnecessary."

In the case of *Laughlin vs. Burry*, 270 Fed. 1013, it is said:

> "It is well settled that, where one conceives an invention and employs another to work out the details of the general conception, the result belongs to the employer. Milton v. Kingsley, 7 App. D.C. 531, 537; Miller v. Kelly, 18 App. D.C. 165, 170; Gedge v. Cromwell, 19 App. D.C. 192, 198; Gallagher v. Hastings, 21 App. D.C. 88, 99; Flather v. Weber, 21 App. D.C. 179; Kreag v. Coon, 28 App. D.C. 437. In the Kreag case, the court announced the rule as follows:
>
> "The relation of employer and employee once established, the law is well settled that when one conceives the principle or plan of an invention, and employs another to perfect the details and realize his conception, though the latter may make valuable improvements therein, such improved result belongs to the employer."

In *Owens vs. Sponable*, 69 Fed. (2d) 650, it is said:

"It is well settled law that the patent office tribunals and the courts will view with suspicion the evidence produced by an employee who seeks to claim an invention made during the time he is working for another and which involves the subject matter upon which he was employed to work. The burden is upon him to clearly prove that he and not the employer was the first inventor of the subject matter. A case in point is De Forest v. Owens, 49 F. (2d) 826, 829, 18 C.C.P.A. 1424, in which the appellee is the same party as the senior party in the instant appeal. The question there was one of originality where the relation of employer and employee existed. We there said:

> "* * * When an employee claims to have made an invention, which is within the scope of his employment, and made while so employed during the working hours for which he is receiving pay, his claim that he, and not the employer, independently, and separately made the invention, is to be examined with great care, and will not be accepted, unless the proof clearly shows that he and not the employer, was the first inventor of the subject matter. If he is to be regarded as the inventor, he must show that the invention was not made in pursuance to the guidance and instructions of the employer.
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> * * *
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> "'The temptation of the employee to gain knowledge while working under the skilled guidance of another and then to seek to capitalize such knowledge by betraying his trust and seeking a patent for himself is always great and too frequently occurs. The likelihood of such conduct on the part of an employee is always increased where the knowledge of the subject-matter is confined to only a few people. To place no burden of proof upon the employee and the whole burden upon the employer, under such

> circumstances as are at bar, would be inequitable, and would have the tendency toward increasing the likelihood of bad faith on the part of the employee rather than to encourage loyalty and honest service.'"

In the case of *Famous Players-Lasky Corp. vs. Ewing*, 194 Pac. 65, 49 Calif. App. 676, the Court said:

> "There is really but one question presented by the appeal, which is whether or not the plaintiff corporation is the owner and should have conveyed to it the title to the invention."

In that case the defendant was hired by Cecil B. DeMille as an expert electrician. His duties were to improve light in all manners possible. It was necessary to devise some method for gradually diminishing or increasing the light intensity. DeMille and several others, including the defendant, discussed the matter for several hours. DeMille suggested the use of silk on a roller to be used in front of the lights, the silk being so arranged that its color ran from red to orange through yellow, white and blue to black, to effect a gradual dimming of the light. Finally defendant Ewing evolved a curtain of white material on one end and black at the other, with a V-shaped extension of black running into the white portion at the middle of the curtain. This was put into operation. The defendant and the others were present at a meeting with the patent attorney. An application was drawn up, and after Ewing signed it he refused to turn it over. In that case the Court held that the general idea of the invention was DeMille's and that Ewing had just made a step forward. The Court stated:

> "An employer who conceives the result embraced in an invention, or the general idea of a machine upon a particular principle, and in order to carry his conception into effect necessarily employs manual dexterity, or even inventive skill, in the mechanical details and arrangement, is nevertheless the inventor, and entitled to patent as against the servant who was the mere instrument through which he real-

ized his idea." Kink v. Gedney, 14 Fed. Cas. p. 526, No. 7795; Wellman v. Bloor, Fed. Cas. No. 17,385; Huebel v. Bernard, 15 App. D. C. 510; Gallagher v. Hastings, 21 App. D. C. 88. The defendant was employed to improve his light in every way possible and to use his expert knowledge and ability in that direction. The general idea of the invention was that of DeMille, the manager of the plaintiff corporation. "'As between employer and a party employed for a special purpose, matters merely auxiliary or tributary to the main invention can give to the employee no claim as an inventor, and in regard to such features as amount to independent inventions, a presumption exists in favor of the employer as the author of the same which can only be overcome by conclusive and unequivocal evidence.'" Miller v. Kelly, 18 App. D. C. 163; United Shirt and Collart Co. v. Beattie, 149 Fed. 536, 79 C.C.A. 442."

CONCLUSION

We therefore respectfully submit that the record in this cause fails to reveal any Federal question of substance decided by the highest Court of Michigan or any special or important reason for granting a writ of certiorari to review the final judgment of the Court below.

For these reasons we respectfully submit that the Petition should be denied.

Respectfully submitted,

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